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Jan 4th, 2023

Old Trafford Reborn

Manchester United, \$MANU:

- Current Price: \$23.33
- Target Price: \$30

This equates to 29% upside from current prices

Introduction

For those unaware, Manchester United is an English Football team that plays out of Old Trafford, Manchester and competes in the top division, the English Premier League. The founding of the club dates to 1878, but the club has since then achieved 20 Premier League titles and astounding success. In 2005, the Glazer family purchased Manchester United for £900m, after it had been floating on the London Stock Exchange since 1991.

I believe that Manchester United provides a unique opportunity because of the high likelihood that it's taken private, and current shareholders are rewarded with a buyout price much higher than the current one. It's important to recognize that for many of the buyers interested in Manchester United, it's a one-of-a-kind asset with much of its value in the intangibles, and off the financial statements. Like Al Nassr signing Ronaldo for \$200m a year, buying Manchester United provides one with more tools than just the revenue & profits.

Thesis

I believe that the thesis boils down to the belief that sports teams should not be publicly traded, for the most part. For example, the only large publicly traded sports teams besides for \$MANU are The Atlanta Braves through John Malone's Liberty Media conglomerate, New York Knicks & Rangers through "Madison Square Garden Sports," Italian football club Juventus, and the Green Bay Packers are public through a stock gimmick and offers no real value for non-fans with a purely financial interest.

In addition to the various rumors swirling about a Manchester United, we believe that the following points help to further demonstrate that a sale is likely.

1. Manchester United's "Strategic Alternatives Press Release"
 - a. *"As part of this process, the Board will consider all strategic alternatives, including new investment into the club, a sale, or other transactions involving the Company."*
 - b. But also, this: *"There can be no assurance that the review being undertaken will result in any transaction involving the Company"*
2. Lack of a Special Dividend

- a. For practically every year since 2015, the Glazier family has taken out special dividends from \$MANU, and this year they declined to do so. We believe that they would only have done this if they are deep within negotiations for a sale of the club, and it would happen in the next 6 months.
3. Rumored Negotiations during World Cup
 - a. As the World Cup was recently held in Qatar, the Glazier family was reported to have held talks with various interested parties. There's no better place to negotiate selling a multi-billion-dollar football club than a meeting of the richest people in the world with football interests....

Risks

1. Timeline Unknown
 - a. While using the catalysts above one might assume that a sale is likely in the next few months, it is impossible to know when an official offer might be extended to shareholders. Whether this is due to a bidding war, or lack of interest.
2. Buyout price is still unknown
 - a. Because the ownership structure of Manchester United is controlled by the Glazier family, the price comes down to what the Glazier family wants, and buyers are willing to pay.
3. There has not been a truly confirmed deal by Manchester United, or the theoretically interested parties yet.
 - a. While \$MANU has confirmed that they are exploring a possible sale, and rumors have mentioned various buyers, that does not mean any deal would go through. Various reasons why a deal might fail, of which the shareholders have no power over.
4. Already trading at a principle to 6 months ago.
 - a. Just 6 months ago the stock was at \$11, and in a period of a week, the stock went up 77% on the rumors of a deal. One major risk is that buyers were interested at the lower price, but due to the skyrocketing share price they have been turned away.

Sports Team Comps

1. In 2020, Steve Cohen bought the NY Mets for \$2.4b
2. In 2022, Chelsea was sold for \$3.1b with \$2.2b in committed investments. It's important to recognize that this was a forced fire sale because of the British Government's sanctions on the former owner, Roman Abramovich.
3. For 2022, Real Madrid was estimated at being worth \$3.5 to \$5.5b.
4. Many of the United States' MLB, NBA & NFL teams are worth billions of dollars, with the Dallas Cowboys taking the top spot at an estimated \$8b valuation according to Forbes.

For many of these teams, it's important to recognize that while Forbes, Bloomberg, or anyone else can attempt to value them, because of the strong emotional attachment buyers and fans have, it's quite difficult to predict what they might sell for. Especially because many are not even for sale.

Valuation

5. Current Metrics
 - a. Market Cap: \$3.804b (163.06m shares outstanding)
 - b. Enterprise Value: \$4.539b (\$735m net debt)
6. Estimated Probabilities
 - a. M&A Offer for \$MANU- 70%
 - i. \$5b Enterprise Value: \$26.17 (15%)
 - ii. \$6b Enterprise Value: \$32.30 (35%)
 - iii. \$7b Enterprise Value: \$38.44 (20%)
 - iv. \$8b Enterprise Value: \$44.57 (10%)
 - b. No Offer- 20%
 - i. In this scenario, we believe that a return to slightly higher than the 52-week low of \$10.41 would be logical, so \$11.
7. Based on these estimated probabilities, we get a price target of \$29.58, which as a base case equates to a market cap of \$4.82b, or a \$5.56b EV.

Conclusion

In closing, I believe that Manchester United (\$MANU) provides a great opportunity for those interested in a "Special Situation." Using our estimated scenario probabilities, we believe that a price target of around \$30/share is very reasonable. While there are many unknowns, and risks that exists in the thesis, we believe that at the current share price of \$23.33, the market is compensation for the risks, and then some. We want to emphasize that everyone should invest according to their own portfolio goals and research.